

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 10, 1999

IN RE:

**APPLICATION OF KINGSPORT POWER COMPANY
FOR PERMISSION TO MAKE NOTES TO EVIDENCE
INDEBTEDNESS NOT TO EXCEED \$15,000,000**

**DOCKET NO:
99-00319**

ORDER APPROVING DEBT ISSUANCE

This matter came before the Tennessee Regulatory Authority ("Authority") upon the application ("Application") of Kingsport Power Company (the "Company" or "Kingsport Power") to issue notes of indebtedness not to exceed \$15,000,000. The Directors of the Authority considered the Company's Application at a regularly scheduled Authority Conference held on May 18, 1999. Upon consideration of the Application, the Directors made the following findings of fact and conclusions of law:

1. Kingsport Power is a corporation duly organized and existing under the laws of the Commonwealth of Virginia, and qualified to transact business in the State of Tennessee, with its principal office in the City of Kingsport.
2. Kingsport Power is in the business of supplying electric power to ratepayers in Tennessee, and is therefore subject to regulation and supervision by the Authority pursuant to Tenn. Code Ann. §§ 65-4-101, et seq.

3. On April 29, 1999, Kingsport Power filed with the Authority pursuant to Tenn. Code Ann. § 65-4-109, its Application seeking approval of an issuance of up to \$15,000,000 of its long term unsecured notes from time to time through June 30, 2000. The proposed financing will bear interest at a fixed rate, a fluctuating rate or some combination of fixed or fluctuating rates on unsecured notes issued to one or more commercial banks, financial institutions or other institutional investors pursuant to a proposed term loan agreement (the "Proposed Agreement") substantially similar to the form attached to the Application. According to the Application, the purpose of the issuance is to reduce the Company's maturing long-term and short-term debt.

4. Kingsport Power further proposes that the Authority approve this financing within the ranges of maturity dates and interest rates specified in the Application without the need for a separate hearing on the final commitment. Following receipt of this Order, the Company would unconditionally and, without further Order of this Authority, enter into a definitive agreement with the appropriate commercial banks, financial institutions or other institutional investors. This agreement will be in substantially the same form outlined in the Proposed Agreement and subject to the conditions, restrictions and limitations specified in the Application.

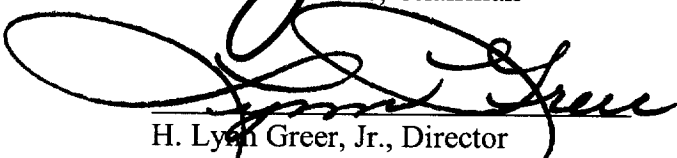
5. Under Tenn. Code Ann. § 65-4-109, the Authority is directed to approve the proposed loan if it finds that it is to be made in accordance with the law and the Authority approves the purpose of such issuance.

6. The Authority concluded after careful consideration of the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, that this Application should be approved. The Authority finds that this financing will be in the public interest and is for a proper purpose.

IT IS THEREFORE ORDERED THAT:

1. Kingsport Power Company is authorized to issue notes in an amount not to exceed \$15,000,000 from time to time through June 30, 2000, to evidence the borrowings pursuant to the Proposed Agreement and to enter into the Proposed Agreement substantially in the form attached to the Application;
2. That the terms of said notes shall be as described in the Application on file with the Authority;
3. That the authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any Kingsport Power Company securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein.
4. That any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order;


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director

Attest:


David Waddell, Executive Secretary


Sara Kyle, Director